

## Fact Sheet: President Bush Signs the Deficit Reduction Act

**Today, President Bush Signed The Deficit Reduction Act Of 2005.** This legislation restrains Federal spending and leaves more money in the hands of the American people. Earlier this week, the President proposed a disciplined Federal budget for 2007 to keep taxes low, fund critical priorities, and build on the Administration's record of restraining government spending.

### Provisions Of The Deficit Reduction Act

**The Deficit Reduction Act Is An Important Step Forward In Bringing Mandatory Spending Under Control.** In the long run, the biggest challenge to the budget is mandatory spending - or entitlement programs like Medicare, Medicaid, and Social Security. Together, these programs are now growing faster than the economy and the population - and nearly three times the rate of inflation. By 2030, spending for Medicare, Medicaid, and Social Security alone will be almost 60 percent of the entire Federal budget. The annual growth of entitlement programs needs to be slowed to affordable levels, but these programs do not need to be cut. Through reforms that will reduce the annual growth of mandatory spending, the Deficit Reduction Act saves taxpayers nearly \$40 billion over the next five years - about \$300 per taxpayer.

- **The Deficit Reduction Act Is Estimated To Slow The Pace Of Spending Growth In Both Medicare And Medicaid While Maintaining Our Commitment To Beneficiaries.** These two programs provide vital services to millions of Americans, but their costs are straining budgets at both the Federal and state levels. The Deficit Reduction Act restrains spending for entitlement programs while ensuring that Americans who rely on these programs continue to get needed care.
  - **Taxpayers Will Save More Than An Estimated \$6 Billion On Medicare Over The Next Five Years.** The Deficit Reduction Act, together with the Medicare Act of 2003, requires wealthier seniors to pay higher premiums for their Medicare coverage. The savings created by this reform and others will make it possible to increase Federal funding for important areas like kidney dialysis and rural hospitals.
  - **The Deficit Reduction Act Will Also Reduce The Growth In Medicaid By Nearly \$5 Billion Over The Next Five Years.** The Deficit Reduction Act helps restrain Medicaid spending by reducing Federal overpayment for prescription drugs so that taxpayers do not have to pay inflated markups. The bill also gives governors more flexibility to design Medicaid benefits that efficiently and affordably meet their states' needs, and tightens the loopholes that allowed people to game the system by transferring assets to their children so they can qualify for Medicaid benefits.
- **The President Is Committed To Finding Additional Ways To Make Medicare And Medicaid More Efficient.** The President's FY 2007 budget proposes another \$36 billion in savings on Medicare and more than \$1 billion in savings on Medicaid. The President's proposals slow the average annual growth in Medicare over the next five years from 8.1 percent a year to 7.7 percent a year. Together with the Deficit Reduction Act, the President's budget will slow Medicaid's average annual growth over the next five years from 6.9 percent a year to 6.6 percent a year.
  - **In The Long Run, Ensuring The Stability Of Medicare And Medicaid Requires Structural Reform.** In his State of the Union Address, the President

proposed a bipartisan commission to examine the full impact of Baby Boomer retirements on Medicare, Medicaid, and Social Security. This commission will include members of Congress from both parties and will recommend long-term solutions.

**Providing New Resources For Those With The Greatest Needs.** The Deficit Reduction Act includes \$1 billion in additional mandatory spending for the Low Income Home Energy Assistance Program (LIHEAP) to help low-income Americans pay heating bills; \$2 billion in new funding to cover health care costs for Hurricane Katrina victims; and more than \$1 billion in new funding for low-income disabled children.

**Improving Federal Student Loan Programs And Increasing Benefits To Students.** The Deficit Reduction Act cuts excess government subsidies to lenders and makes other reforms that will help reduce overall student loan costs by about \$22 billion. This will save taxpayers \$12 billion and increase student aid by \$10 billion.

**Reauthorizing Welfare Reform For Another Five Years.** Welfare reform has proved a tremendous success over the past decade. By insisting on programs that require work and self-sufficiency in return for Federal aid, the Federal government has helped cut welfare cases by more than half since 1996. Building on this progress, the Deficit Reduction Act renews welfare reform so that even more families move from welfare to work, and includes a \$1 billion increase in child care funding, as well as new grants to support healthy marriages and responsible fatherhood.

- **Extending Charitable Choice.** One of the reasons for welfare reform's success is a policy called charitable choice - which allows faith-based groups that provide social services to receive Federal funding without altering their religious identity or changing the way they hire. Charitable choice also safeguards the religious freedom of beneficiaries. Welfare was the first Federal program to include charitable choice, and the Deficit Reduction Act extends it for another five years. Charitable choice will also apply to the bill's new programs that focus on promoting healthy marriages and responsible fatherhood, two areas in which faith-based and community groups are particularly effective in providing services. By reauthorizing welfare reform with charitable choice, the Deficit Reduction Act helps millions more Americans move from welfare to work and find independence, dignity, and hope.

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